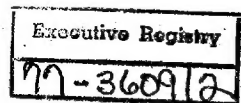


14 March 1977



NOTE FOR: The Director

Stan:

You will recall our discussion a few weeks back when I told you I thought our foremost challenge is to insure a spirit of creativity and willingness to consider risks in the face of the new oversight controls, internal and external. You asked for background and have indicated that this will be a theme for your first auditorium talk to Agency employees.

Attached is useful background. In short, our situation today seems a good one but much is required of us leaders to keep it that way and improve it.

I have also attached as a second paper--at Tab A--a status report to me on an effort I have been making to broaden discussions of this subject at all levels in the Agency and to address the issue in the context of our training programs.

It is my intention, at a point a bit later on when the dialogue stage matures, to begin moving to develop a code of ethics for intelligence officers. I think we need one and I think the process involved in defining one can in itself fan the fires of creativity by involving fairly large numbers from all parts of the outfit.



E. H. Knoché
DDCI

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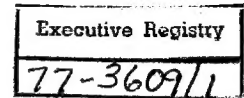
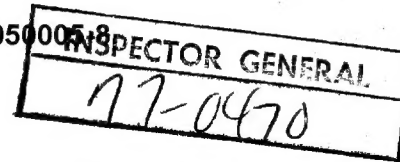
Attachments:

- 1) ER 77-3609/1
of 9 Mar 77 (Reference)
- 2) ER 77-3219/2
of 3 Mar 77 (TAB A)

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9 March 1977

MEMORANDUM FOR: Acting Director of Central Intelligence

FROM: John H. Waller
Inspector General

SUBJECT: Initiative and Incentive in the
Face of Rigorous Oversight

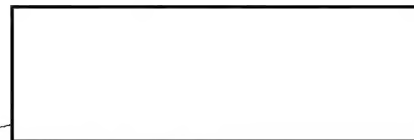
REFERENCE:



Memo to Acting Director of Central
Intelligence dated 2 March 1977
(Executive Registry No. 77-3609)

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Attached hereto is a suggested response to
Admiral Turner's question as to whether we have some
indication that the rigorous oversight and super-
vision are smothering initiative and incentive within
the Agency.



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John H. Waller

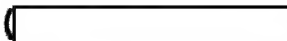
Attachment - 1

IG:JHWALLER:hj R 1252 9 March 1977

Distribution:

Orig w/att - Addressee

1 w/att - Assistant to DDCI (



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1 w/att - Mr. Ben Evans

1 w/att - IG Subject (Admiral Turner)

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INITIATIVE, INCENTIVE AND CREATIVITY

SUMMARY:

A stifling of initiative or decrease in creativity is a difficult thing to analyze with any precision. While Inspector General surveys, senior and middle management seminars, employee polls, etc. are helpful as indicators, they invariably lack the kind of precision and solidity which management ideally would like. Moreover, it is difficult to separate the tactical dips in initiative or creativity caused by each new oversight burden or press affront to the Agency from longer-range trends and consequences based on more profound causes. But on the basis of those indicators which do exist and can be analyzed, two important conclusions seem to suggest themselves:

1. The quality of leadership at all levels has as much influence on initiative, creativity and morale as the burden of regulation and oversight, force of public criticism or the frustrations of leakage. That Agency morale and initiative have stood up well under two years of seige is a tribute to the quality of personnel and its leadership. What damage as has been done is repairable and Agency initiative can remain high depending on what the future brings.

Employees were heartened when President Carter defended the Agency following the [] disclosures. Personnel are similarly encouraged when a Director staunchly defends his Agency. Deputy Directors and Office or Division Chiefs also have the capability to inspire morale and initiative on a day-to-day basis. Senior management, in sum, must show confidence in its employees if they are to sustain pride in themselves and their organization. Initiative and creativity are products of this pride.

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2. Concern should be focused more on the longer trend not on the daily ups and downs.

If certain serious problems are not resolved or prevented within a reasonable time frame, the Agency, according to Darwinian selection, could breed a different creature, one less

imaginative and creative. It would not so much be a case of current employees losing initiative as it would be a case of losing too many of the higher caliber employees, altogether, or at least failing to attract enough new ones with the desirable traits. Instead of officers capable of stimulating the development of the most advanced, [redacted] overhead photography and signal intelligence in the world, or of recruiting senior officials within the Soviet establishment, digging Berlin tunnels, [redacted]

[redacted] we could end up with a corps of common civil servants, happy to receive their periodic promotions and eager for early retirement. More ominously, such persons could become vulnerable to subversion as their loyalty, pride and devotion to the organization grow less.

Some of the more important problems which should be resolved if morale and initiative are to be sustained are the following:

- a. Adequate protection of sources and other sensitive information. Comprehensive new security legislation is required.
- b. For the sake of security, need to revise statutory requirement that seven committees of Congress be notified of covert action and sensitive collection operations.
- c. Maintenance of CIA's operational integrity. Should the State Department insist that Ambassadors monitor operational communications and approve or veto each human intelligence collection operation abroad, operational progress and initiative will suffer.
- d. Restoration of public confidence in CIA's analytical and estimative performance. It is important for the Agency to continue to improve its analytical techniques. Other members of the community have vital contributions to make in the analytical and estimative processes; different points of view are healthy. But the selective release or leakage of classified information by those who disagree

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with the Agency position for the purpose of promoting parochial or self-serving viewpoints through public debate generates frustrations among analysts and erodes security.

DISCUSSION:

During the last four months of 1976 the Inspector General conducted a comprehensive survey of the four Directorates with the purpose of ensuring that the Agency is in compliance with the new regulations and guidelines, and that there is proper understanding of their limitations. A basic conclusion of that survey was that the Agency was adjusting well although there was, at first, some uncertainty over the application of some of the new guidelines, and there were some cases of over-reaction and hyper-caution based on this uncertainty. With time and familiarity with the new regulations this should disappear.

An attitudinal survey of a random sample of 25% of the Agency's employees was conducted by the Deputy Director for Administration in the last half of 1976. Among its findings were some interesting mixes of perceptions of how the Agency's morale stood in general, and how the individual employees felt about their own situation. While about 60% of those asked felt that Agency morale had been affected negatively by the Congressional investigations, only 10% stated that this had exercised a serious negative impact on their own feelings about employment with CIA. While 45% felt that the Agency's ability to fulfill its function in the near future had been hampered seriously, only 10% reported a significant negative influence on their ability to do their own work. It is interesting that the general perception seems more pessimistic than the individual employee's statement of his personal outlook. Against this background, it is noted that 22% felt that Agency morale was low to very low, while 27% felt it was high to very high, with 49% viewing it as moderate.

The Center for the Study of Intelligence, in the Office of Training, has conducted two experimental seminars in recent months to consider various problems facing the Agency today. On the subject of creativity and initiative, both seminars conclude that both have survived well, although they warrant the continuing scrutiny of management. A tendency was noted, for example, that decision making had over the years floated upward in the hierarchy.

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At present, Agency personnel can be judged as adjusting to new oversight and regulatory requirements well. Persons within the Agency have a fundamentally sound attitude towards it and their ability to carry out their assignments. Morale overseas is, however, better than it is at Headquarters. Overseas personnel are farther from the scene of harassment and public criticism and have less opportunity to discuss or brood about each new accusation. Moreover, as those stationed overseas come to understand the new regulations better, they see that their operations are not significantly affected by them. Security problems could, however, erode morale and initiative if allowed to continue.

Protection of sources and sensitive information rates high on the list of problems which can affect the future viability of the Agency and initiative of its personnel.

There can be a deleterious effect on operational initiative if security breaks down. In stark terms, CIA officers will be faced with the problem of enlisting the aid of others --

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[redacted] -- when there is no assurance that these helpers can be protected from the risk of compromise. CIA officers will lose confidence in the security of what they are doing so long as there is no effective law to discourage the unauthorized disclosure of classified information, either to the media or to foreign governments.

There can also be deleterious effects on analytical accomplishment. Selective leaking of classified information from the Intelligence Community to promote a minority view is frustrating to CIA analysts who cannot respond in kind. The ensuing public debate generates enormous demands on the analysts' time in order to reassure those who can receive the whole story that estimates are not created capriciously. Each such debate, in today's atmosphere, leaves a lingering public impression that CIA analysis is suspect. Diminishing public confidence could, in time, inspire CIA analysts to "waffle" whenever their data base is incomplete, or when strong community disagreements are expected.

Balanced and responsible oversight does not pose a security problem affecting initiative in itself, although an adversary style or attitude could do so. Special investigations conducted in the glaring spotlight of highly publicized hearings, with the accompanying leaks, pose serious security

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problems for the Agency. If committees feel that they must compete to attract public attention, it could become burdensome and distracting. Congressional oversight delegations who visit operational stations overseas present security problems in some cases and discourage operating personnel who resent the time it takes from their duties. Attempts by the House Appropriations Committee staff to measure subtle and difficult operational activities with inappropriate cost accounting and management techniques applicable to other fields of endeavor can be demoralizing, particularly when they result in money and manpower cuts capriciously arrived at. A variety of burdensome evaluation standards could be imposed on Agency management which would tend to deaden initiative.

The requirement of the Hughes-Ryan Amendment that seven committees of Congress be notified about covert action and sensitive intelligence operations presents serious security problems. On the basis of experience to date, covert action operations are not likely to remain secret if given to this number of committees of Congress. When such operations are exposed, there is danger that they will harm rather than help the situation for which they were designed, and responsible Agency officials must thus entertain serious reservations about undertaking them in the face of such an eventuality. The present foreign policy requirements for new initiatives in covert action do not seem great, but should there be changes in the world scene requiring them, the ability of the Agency to respond confidently, with professional creativity, may be found to have been impaired significantly.

The maintenance of CIA's operational integrity in the face of State Department's insistence that Ambassadors have control of communications and operational activity could act to stifle initiative and inhibit operational progress. Here again, security is at stake. It has been an article of faith among CIA employees that the details of operations must be held within a relatively small number of persons within the Agency. There is an underlying lack of confidence among CIA employees in the professional willingness of the State Department bureaucracy to protect secrets. Too many politically appointed Ambassadors have proven irresponsible or naive after leaving office (and in some cases while in office) and have disclosed matters which should not have been disclosed. The protection of sources and methods by the prevention of access

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to non-CIA persons has been judged traditionally in CIA to extend directly to the secrecy of its communications. Were these basic operational requirements denied the Agency, one must re-evaluate the ability of the Agency to operate clandestinely and the professional willingness of either its officers or its indigenous agents to be willing to function under circumstances that would risk not only their operations but the personal safety of those who conduct them.



John H. Waller
Inspector General

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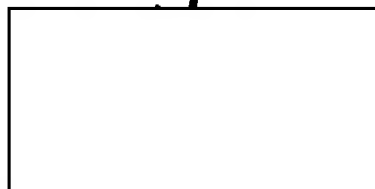
Executive Registry
77.3609

2 March 1977

MEMORANDUM FOR: Acting Director of Central Intelligence

FROM: Executive Assistant to DCI-Designate

Admiral Turner would like to know whether we have some indication that the rigorous oversight and supervision are smothering initiative and incentive within the Agency.



STAT

OTR 77-7175

3 March 1977

Executive Registry

77-3219/2

MEMORANDUM FOR: Deputy Director for Administration

FROM : Harry E. Fitzwater
Director of Training

SUBJECT : Creativity, Controls, and Ethics

1. This memorandum is to advise you of actions being taken as a result of the meeting with the ADCI on "creativity" held on 7 February 1977. At that meeting the Office of Training (OTR) was charged with introducing special seminars into the curricula of the Senior Seminar and Midcareer Course to discuss creativity, controls, and ethics. Accordingly, subtopics related to these areas of interest are being compiled by working groups within OTR. The curricula of the two courses are being adjusted to provide a period for discussion of a particular subtopic to be selected by each class. The classes may select subtopics not provided by OTR if these are considered by the course leaders and the Center for the Study of Intelligence to be appropriate.

2. The results of these seminars will be written up and reviewed to determine if any central themes are emerging. If central themes of interest emerge from these discussions, an Agency symposium will then be proposed to discuss the themes and proposals for further advisable action.

3. In addition to the above, the subject of creativity will be covered in the curriculum of the new [REDACTED]

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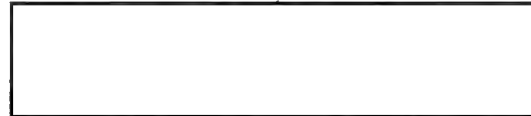
[REDACTED] The program is designed for mid-level managers and will devote one full day to "creativity." This session permits the participants to cover the mental processes related to creativity and provides an opportunity to work with live problems from different and unique perspectives. In addition to this coverage of how creativity develops and functions, the [REDACTED]

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SUBJECT: Creativity, Controls, and Ethics

Management will be adapted to examine the issues of ethics and creativity in the intelligence process.

4. We will keep you advised of the results of each seminar and any recommendations that may develop. If you have topics of particular interest related to the subjects, we would be glad to incorporate them into the Senior Seminar or Midcareer Course.



Harry E. Frazzwater

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ROUTING AND

SUBJECT: (Optional)

Form No. 160
1 Dec 56 Use Previous Editions (13)

FROM: Inspector General

EXTENSION NO.
 DATE 9 March 1977

STAT

TO: (Officer designation, room number, and building)	DATE		OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
	RECEIVED	FORWARDED		
1. MR. Knock Acting Director of Central Intelligence				
2. Bill				
3. DCI				
4.				
5.				
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Approved For Release 2004/05/05 : CIA-RDP80M00165A002500050005-8

SUBJECT: (Optional)

Creativity, Controls, and Ethics

FROM:

Director of Training
1026 C of C

EXTENSION

NO.

OTR 77-7175

DATE

3 March 1977

TO: (Officer designation, room number, and building)

DATE

OFFICER'S
INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

RECEIVED

FORWARDED

1. EO/ DDA
7D18 Hqs

4 MAR 1977

[Handwritten initials]

To 4

2. ADDA

7 MAR 1977

[Handwritten initials]

From your info

3. DDA

7 MAR 1977

[Handwritten initials]

4. ~~DDA~~ Mr Knoche

[Handwritten initials]

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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:

Inspector General

EXTENSION

NO.

DATE

9 March 1977

STAT

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. MR. ~~Knocke~~ Acting Director of Central Intelligence

2. ~~Knocke~~

3. DCI

6 SEP 1977

BJ/dmg

4. IG

As DCI's note
6 Sep.

STAT

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OVERSIGHT REGISTRY FOR

DCI

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EXECUTIVE SECRETARIAT

Routing Slip

TO:		ACTION	INFO	DATE	INITIAL
1	DCI				
2	D/DCI		X		
3	D/DCI/IC				
4	DDS&T				
5	DDI				
6	DDA				
7	DDO				
8	D/DCI/NI				
9	GC				
10	LC				
11	IG	X			
12	Compt				
13	D/Pers				
14	D/S				
15	DTR				
16	Asst/DCI				
17	AO/DCI				
18	C/IPS				
19	DCI/SS				
20	D/EE0				
21	ES		X		
22					
SUSPENSE		ASAP			
		Date			

Remarks:

3637 (7-76)

Date

STAT